

Message Text

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ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 OPIC-12 SP-03

CIEP-03 OMB-01 DRC-01 /085 W
----- 092390

R 290540Z AUG 74

FM AMCONSUL MELBOURNE

TO SECSTATE WASHDC 2326

UNCLAS SECTION 1 OF 2 MELBOURNE 1018

E.O. 11652: N/A

TAGS: BPRO, AS

SUBJECT: FCIA CREDIT INSURANCE REQUEST FOR SALE OF
TEXTILE PRODUCTS TO GODFREY HIRST (AUSTRALIA)
PTY LTD.(FORMERLY TATTIANA PTY LTD.)

REF: STATE 179842

1. POST CONTACTED APPROPRIATE LOCAL BANKS, MELBOURNE
OFFICE OF CREDIT REPORTING SERVICE AND SEVERAL
KNOWLEDGABLE SOURCES IN TEXTILE INDUSTRY. RESPONSES WERE
AS FOLLOWS:

A. CREDIT REPORTING SERVICE:

"MAJOR SUPPLIERS TO SUBJECT ARE BEING PAID ON A PROMPT
BASIS OR BY ARRANGEMENT, ACCOUNTS BEING DESCRIBED AS
EITHER GOOD OR EXCELLENT. ALTHOUGH SOME SUPPLIERS
EXPRESS DISSATISFACTION WITH THE ACCOUNT GENERALLY
MOST COMMENTS ARE THAT OF SATISFACTORY. THERE
APPEARS TO HAVE BEEN A GENERAL IMPROVEMENT IN
SUBJECT'S PAYMENT TREND AS A TRADE SURVEY CONDUCTED IN
JUNE 1973 FOR GODFREY HIRST AND CO PTY LTD., REVEALED
THE MAJORITY OF ACCOUNTS BEING PAID IN EXCESS OF SIXTY
DAYS SLOW AND SEVERAL ACCOUNTS BEING PAID ON C.O.D.
BAIS AT SUPPLIERS REQUEST.
TOTAL CURRENT ASSETS \$3,148,845, CURRENT
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LIABILITIES \$4,302,188, GIVING A DEFICIT

WORKING CAPITAL OF \$1,153,343. OTHER TANGIBLE ASSETS \$20,746,397 DEFERRED LIABILITIES \$506,506. TANGIBLE NET WORTH \$1,137,206. NET LOSS FOR YEAR ENDED 30:6/1973 \$6,161. DUE TO LOSSES NO DIVIDENDS WERE PAYABLE. COMPARATIVE ANALYSIS: A COMPARISON WITH FIGURES AS AT 30/6/1972 SHOWED CORRESPONDING DECREASES IN BOTH CURRENT ASSETS AND CURRENT LIABILITIES. THIS WAS PRINCIPALLY BROUGHT ABOUT BY THE REDUCTION IN STOCK BY \$900,000 APPROXIMATELY ON THE PREVIOUS YEAR, HOWEVER IT IS INTERESTING TO NOTE THAT TRADE DEBTORS MORE THAN DOUBLED TO \$748,360 (1972 \$308,512). IT APPEARS TO BE THE POLICY OF THE COMPANY TO FINANCE ITS ACTIVITIES LARGELY ON THE FORE-BEARANCE OF TRADE CREDITORS AND EXTERNAL FINANCIAL INSTITUTIONS. INVESTMENT OF FIXED ASSETS FOR THIS TYPE OF BUSINESS IS ADEQUATE TO RETURN A SATISFACTORY PROFIT ON CAPITAL INVESTMENTS. MAJOR PROBLEMS IN LIQUIDITY HAVE BECOME APPARENT DUE TO RAPID EXPANSION OF GROUP'S OVERALL ACTIVITIES IN THE PAST. HOWEVER THE COMPANY SHOULD NOT EXPERIENCE ANY UNDUE DIFFICULTY IN FINANCING ITS ACTIVITIES PROVIDED THAT CURRENT MARKET CONDITIONS PREVAIL IN THIS COMING FINANCIAL YEAR. NUMEROUS OVERDUE ACCOUNTS AND COUNTY COURT JUDGEMENTS WERE ISSUED AGAINST GODFREY HIRST AND CO PTY LTD., HOWEVER TO DATE SUBJECT'S RECORD IS CLEAR."

B. BANK REPORT:

"FIRM IS HIGHLY GEARED OPERATION WHICH AUTOMATICALLY INVOLVES LIQUIDITY PROBLEMS. \$300,000 SALES IS NOT UNDULY HIGH HAVING REGARD TO FIRM'S TOTAL TURNOVER. IF NO UNFAVORABLE ECONOMIC UPHEAVALS OCCUR FIRM SHOULD BE ABLE TO LAST THE DISTANCE THROUGH PRESENT SLUMP IN TEXTILE AND CARPET INDUSTRIES IN AUSTRALIA. FIRM HAS SET CREDIT LIMIT WITH BANK AND IS WATCHED CLOSELY, AS IS NORMALLY DONE WITH HIGHLY GEARED OPERATIONS. BANK ADVISES NORMAL CAUTION IN DEALING WITH DESCRIBED UNCLASSIFIED

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OPERATORS".

C. BANK REPORT:

"HIRST DID HAVE LIQUIDITY PROBLEMS DURING 1973 AND FIRM HAD ACCOUNT WITH BANK FOR NO MORE THAN EIGHT MONTHS."

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ACTION XMB-07

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R 290540Z AUG 74

FM AMCONSUL MELBOURNE
TO SECSTATE WASHDC 2327

UNCLAS SECTION 2 OF 2 MELBOURNE 1018

D. BANK REPORT:

"GODFREY HIRST USED TO HAVE THEIR MAIN ACCOUNT WITH BANK UNTIL MID 1973. OPERATION OF ACCOUNT WAS DIFFICULT, ALTHOUGH FIRM WAS ALWAYS ABLE TO GET LAST MINUTE SETTLEMENT OF ACCOUNTS. BANK BELIEVES THIS IS DUE TO SHARP BUSINESS ACUMEN OF MR. MCKENDRICK APPARENTLY THE DRIVING FORCE BEHIND GODFREY HIRST. HAVING REGARD TO PREVIOUS ACCOUNT PERFORMANCE AND PRESENT DIFFICULT STATE OF TEXTILE INDUSTRY IN AUSTRALIA, BANK ADVISES CAUTION IN EXTENDING REQUESTED CREDIT INSURANCE TO HIRST."

E. TEXTILE INDUSTRY SOURCE:

"HIRST HAS NOTORIOUSLY BAD SETTLEMENT NAME IN AUSTRALIA. THIS IS DUE TO SHARP AND HARD BUSINESS PRACTICE OF G. MCKENDRICK WHO ALTHOUGH NOT OPENLY ACTIVE IN THE BUSINESS IS THE MAJOR SHAREHOLDER AND CONDUCTS FIRM'S FINANCIAL AFFAIRS. DUE TO CONTINUED EXPANSION OF HIRST OVER LAST SEVERAL

YEARS, FIRM'S
LIQUIDITY IS TIGHT. HAVE DEALT EXTENSIVELY WITH
HIRST OVER LAST TWELVE YEARS AND HAVE FOUND FIRM
TO BE PROMPT SETTLER OF PAYMENTS ON DUE DATE
(USUALLY 180 DAYS)."

F. TEXTILE INDUSTRY SOURCE:
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"CAUTION WITH HIRST IS ADVISED. THEY ARE
NOTORIOUSLY SLOW PAYERS."

2. IN LIGHT OF THE ABOVE, PLUS FACT AUSTRALIAN ECONOMY
ENTERING EVEN MORE DIFFICULT PERIOD WITH UNEMPLOYMENT
INCREASING AND LIQUIDITY TIGHTENING (PARTICULARLY IN
THE TEXTILE INDUSTRY), CONGEN HESITATES TO RECOMMEND
FIRM. WOULD CERTAINLY ADVISE EXTREME CAUTION IN ANY
DEALINGS WITH FIRM. APART FROM FACTORS CITED ABOVE,
POST KNOWS OF NO "POLITICAL OR OTHER REASONS" PRECLUDING
EXIMBANK'S CONSIDERATION OF APPLICATION.
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